The Banff Centre Foundation

Financial Statements

March 31, 2012

THE BANFF CENTRE FOUNDATION

Statement of Financial Position

As at March 31, 2012

(in thousands of dollars)

	As at March 31, 2012	As at March 31, 2011
Assets		
Current assets		
Cash	$ 3	$ 3
Accounts receivable	149	68
Pledges receivable	1,555	1,080
	1,707	1,151
Endowment investments (Note 3)	7,773	4,979
	$ 9,480	$ 6,130
Liabilities and Net Assets		
Current liabilities		
Amounts payable to The Banff Centre (Note 4)	$ 152	$ 71
Deferred flow-through funds	-	-
	152	71
Long-term deferred contributions (Note 5)	1,555	1,080
	1,707	1,151
Net assets		
Endowments (Note 6)	7,773	4,979
	$ 9,480	$ 6,130

The accompanying notes are an integral part of these financial statements.

Signed on behalf of The Banff Centre Foundation Board of Directors:

Chair, Board of Directors

President, The Banff Centre

THE BANFF CENTRE FOUNDATION

Statement of Operations and Changes in Net Assets
For the year ended March 31, 2012
(in thousands of dollars)

	Foundation Operations	Flow-Through Funds	Total Year Ended March 31, 2012	Total Year Ended March 31, 2011
Revenue				
Contributions	$ -	$ 100	$ 100	$ 100
Total revenue	-	100	100	100
Expense				
Distributions of flow-through contributions	-	100	100	200
Total expense	-	100	100	200
Excess (deficiency) of revenue over expense	-	-	-	(100)
Decrease in flow-through contributions	-	-	-	100
Total change for the year	-	-	-	-
Net assets, beginning of year	4,979	-	4,979	1,940
Endowment contributions and other transfers	3,008	-	3,008	2,869
Endowment earnings retained in (distributed from) the fund	(170)	-	(170)	136
Endowment unrealized appreciation (depreciation)	(44)	-	(44)	34
Net assets, end of year	$ 7,773	$ -	$ 7,773	$ 4,979

The accompanying notes are an integral part of these financial statements.

THE BANFF CENTRE FOUNDATION

Statement of Cash Flows

For the year ended March 31, 2012
(in thousands of dollars)

	Year Ended March 31, 2012	Year Ended March 31, 2011
Cash flows from (used in) operating activities		
Excess (deficiency) of revenue over expense	$ -	$ (100)
Changes in:		
Non-cash working capital (Note 7)	-	-
Net cash used in operating activities	-	(100)
Cash flows from (used in) investing activities		
Endowment earnings retained in (distributed from) the fund	(170)	136
Acquisition of long-term investments	(2,838)	(3,005)
Net cash used in investing activities	(3,008)	(2,869)
Cash flows from (used in) financing activities		
Endowment contributions and other transfers	3,008	2,869
Net cash from financing activities	3,008	2,869
Decrease in cash	-	(100)
Cash, beginning of year	3	103
Cash, end of year	$ 3	$ 3

The accompanying notes are an integral part of these financial statements.

Note 1 Authority and Purpose

(a) Description of the Foundation and Related Parties

The Banff Centre Foundation (the "Foundation") is a corporation established for the sole purpose of supporting the activities of The Banff Centre (the "Centre"). The Foundation is a registered charity and under section 149 of the Income Tax Act (Canada) is exempt from income tax.

The Centre is a corporation and registered charity which operates under the Post-Secondary Learning Act (Alberta). The Foundation and the Centre are related parties, and all administrative services required by the Foundation are provided by the Centre. The value of these services is not readily determinable and therefore is not included in these financial statements. The Centre provides public access to a broad range of learning and professional development experiences with emphasis on the arts, leadership development, and the exploration of issues related to mountain culture and the environment.

(b) Flow-through Funds

These funds are amounts contributed to the Foundation for the benefit and use of the Centre in accordance with donor restrictions. These funds are not to be maintained in perpetuity. Flow-through funds that are not disbursed in the year of receipt are recorded as a liability until the funds are disbursed to the Centre.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General - GAAP and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities may be contingent upon future events. At March 31, 2012 and March 31, 2011 no amounts were subject to significant measurement uncertainty. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) *Financial Instruments*

Financial instruments are recognized at fair value when acquired. Measurement in subsequent periods depends upon the classification of financial instruments as held for trading, loans and receivables, or other financial liabilities. Items classified as held for trading are adjusted for changes in fair value which are recognized in income in the period in which they arise; items classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method.

Financial instruments are comprised of cash, accounts receivable, pledges receivable, endowment and other investments, and amounts payable to the Centre. Pledges and accounts receivable are classified as loans and receivables and carried at amortized cost, which approximates fair value. At each statement of financial position date, these financial assets are assessed for impairment and the amount of any loss is measured as the difference between the carrying amount of the asset and its fair value and recorded in the statement of operations. All other financial assets are carried at fair value as these assets are held for trading. All financial liabilities are classified as other liabilities and carried at amortized cost, which approximates fair value. As permitted for Not-for-Profit Organizations, the Foundation has elected not to apply the standards of CICA Handbook Section 3862: Financial Instruments - Disclosure and Section 3863: Financial Instruments - Presentation, but the Foundation has elected to continue to follow CICA Handbook Section 3861: Financial Instruments - Disclosure and Presentation.

Credit, Interest Rate and Market Risk - The Foundation's accounts and pledges receivable are subject to normal credit risks due to the nature of the Foundation's donors. A portion of the Foundation's endowment is exposed to fluctuations in interest rates, and the long-term endowment investments are subject to market risk. The Foundation does not hold any derivative investments or floating-rate notes in its investment portfolios.

(c) *Pledges Receivable*

Pledges receivable are recorded as assets when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(d) *Revenue Recognition*

The Foundation follows the deferral method of accounting for contributions.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Any externally restricted contributions containing stipulations that the amounts and related earnings be retained as net assets or that the contributions not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to acquire non-amortizable property.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Any external funds invested in capital assets would be transferred to deferred expended capital contributions. Deferred expended capital contributions would be recognized as revenue in the periods in which the related amortization expense of the funded capital assets is recorded. The related portions of amortization expense and capital contributions revenue would be matched to indicate that the amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when received.

Donations of materials that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(e) Endowment Investments

Endowment investments are classified as held for trading and stated at fair value. Fair values are determined based on quoted market prices at year-end. Realized gains and losses and unrealized appreciation and depreciation of endowment investments are reflected in the statement of changes in net assets.

(f) Capital Disclosures

The Foundation defines its capital as the amounts included in its deferred contribution (Note 5) and net asset balances. The Foundation's objective when managing capital is to safeguard its ability to sustain itself as a going concern so that it can continue to support The Banff Centre.

A portion of the Foundation's capital is externally restricted and must meet certain requirements. The Foundation has restricted investment earnings from endowments (Note 6). The Foundation has internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

Management and the Board of Directors carefully consider fundraising campaigns, grants, sponsorship and investment income to ensure that sufficient funds will be available to meet the Foundation's short and long-term objectives.

(g) Future Accounting Changes

The Public Sector Accounting Board of the CICA (PSAB) has issued a framework for financial reporting by not-for-profit organizations. The framework includes the 4400 series of standards from the CICA Handbook – Accounting, which have been incorporated into the Public Service Accounting (PSA) handbook as PS 4200 series of standards. This framework will be effective April 1, 2012. The Foundation has started to identify the differences in standards that will impact the financial statements and will quantify the differences. The Foundation will also determine whether any specific exemptions and exceptions for the first time adoption of PSA standards by not-for-profit organizations will be applicable to the Foundation.

Note 3 Endowment Investments

	2012		2011	
	Market	Cost	Market	Cost
Cash and cash equivalents	$ 341	$ 341	$ 177	$ 177
Corporate bonds	3,116	3,250	1,996	2,009
Equities	4,465	4,348	2,874	2,831
	7,922	7,939	5,047	5,017
Endowment earnings and other receivables	(149)	(149)	(68)	(68)
Endowment investments	$ 7,773	$ 7,790	$ 4,979	$ 4,949

Note 4 Amounts Payable to The Banff Centre

When the Foundation began its operations, the Centre loaned $3,000 to the Foundation to cover miscellaneous operating expenses. The loan is non-interest bearing and has no fixed terms of repayment. At March 31, 2012 another $149,000 is due to the Centre for the distribution of endowment earnings.

Note 5 Deferred Contributions

	2012	2011
Deferred contributions, beginning of year	$ 1,080	$ 1,349
Contributions:		
Endowment pledges receivable	1,555	1,080
Transferred to endowment	(1,080)	(1,349)
Distributed endowment earnings	175	68
Endowment earnings returned to the fund	(26)	-
Payable to The Banff Centre:		
Endowment earnings available for spending	(149)	(68)
Deferred contributions, end of year	1,555	1,080
Current portion of non-capital deferred contributions	-	-
Long-term deferred contributions	$ 1,555	$ 1,080

Note 6 Endowments

	2012	2011
Endowments, beginning of year	$ 4,979	$ 1,940
Contributions and other transfers	3,008	2,869
Investment income	265	169
Net change in value		
Realized	(260)	35
Unrealized	(44)	34
Distribution of earnings available for spending	(175)	(68)
Endowments, end of year	$ 7,773	$ 4,979

Through March 31, 2012, the Centre has transferred $5,219,000 (2011 - $3,319,000) of endowment contributions to the Foundation in accordance with the terms of an application for matching funds from Canadian Heritage under the Endowment Incentives program. These contributions and any matching funds will be held by the Foundation and managed as a permanent endowment for the sole benefit of the Centre.

Endowments consist of externally restricted donations received by the Foundation or the Centre and are managed in accordance with the terms of the agreements with the individual donors.

Note 6 Endowments (continued)

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Directors. Benefactors as well as the Foundation's policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the Post-Secondary Learning Act, the Foundation has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment

- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Directors, the encroachment benefits the Foundation and does not impair the long-term value of the fund

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative earnings reinvested in the funds. However, for individual endowment funds without sufficient cumulative reinvested earnings, endowment principal may be used in that year. This amount is expected to be recovered by future investment income.

Note 7 Changes in Non-Cash Working Capital

	2012	2011
Changes in:		
Accounts receivable	$ (81)	$ (68)
Amounts payable to The Banff Centre	81	68
	$ -	$ -

Note 8 Prior Year Figures

Certain prior year figures have been reclassified to conform to the current year presentation.